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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CIAE-00 COME-00
INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 FRB-01
OMB-01 SS-15 /055 W
----------066670 101325Z /47
R 091440Z AUG 77
FM AMCONSUL MILAN
TO SECSTATE WASHDC 5530
INFO AMEMBASSY ROME
AMCONSUL TURIN
AMCONSUL FLORENCE

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E.O. 11652: N/A
TAGS: ECON, EPAP, IT
SUBJECT: 1976 TEXTILE BOOM SLOWS DOWN

REF MILAN A-020

1. SUMMARY. ITALIAN TEXTILE INDUSTRY, SENSITIVE TO FLUCTUATIONS IN SPENDING HABITS, IS GOOD INDICATOR OF WHAT IS HAPPENING TO CONSUMER DEMAND. BOOMING THROUGHOUT MOST OF 1976 AND HAVING ONE OF BEST YEARS EVER IN 1977, TEXITLE INDUSTRY NOW REPORTS RAPID SLOWDOWN. INDUSTRY SPOKESMEN ATTRIBUTE DOMESTIC SALES DROP TO IMPACT OF GOVERNMENT'S DEFLATIONARY POLICIES. END SUMMARY.

2. ITALIAN TEXTILE INDUSTRY SAW ONE OF BEST YEARS EVER DURING 1976. PRODUCTION OF COTTON, WOOLS, AND MAN-MADE FIBER GOODS GREW APPRECIABLY
IN RESPONSE TO HAEVIER DEMAND ON BOTH DOMESTIC AND FOREIGN MARKETS. SPOKESMEN FOR BOTH COTTON AND WOOL INDSTRIES TELL US THAT INDUSTRY MANUFACTURERS WORKED AT NEAR FULL CAPACITY. AND PRODUCTION OF WOOL PROODUCTS REACHED ALL TIME RECORD. HIGHER PRODUCTION LEVELS (27 PERCENT HIGHER IN TONNAGE THAN IN 1975) ALSO HELPED ITALY'S AILING MAN-MADE FIBER INDUSTRY, BUT NOT ENOUGH TO TAKE UP ITS
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ENORMOUS OVERCAPACITY SLACK. IT STILL LOST MONEY. (MONTEDISON'S MONTIFIBRE, FOR EXAMPLE, LOST ABOUT 115 MILLION DOLLARS IN 1976.)

3. FOR COTTON AND WOOL PRODUCERS, HOWEVER, THERE WERE OTHER IMPROVEMENTS. PROFITS WERE GOOD, DIVIDENDS WERE DISTRIBUTED, AND LABOR PROBLEMS EASED. ONE EXECUTIVE TOLD US THAT EXCEPT FOR NATIONAL-

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LY SANCTIONED STRIKES, HIS WORK FORCE HAS NOT STRUCK FOR MANY MONTHS. INVESTMENT LEVELS (ESTIMATED AT ABOUT 100 MILLION DOLLARS IN COTTON INDUSTRY) WERE HEAVY. AND ALTHOUGH MANY COMPLAINED OF HEAVY INCREASES IN LABOR COSTS, SOME ROUGH ARITHMETIC SUGGESTS THAT LABOR COSTS MAY NOT HAVE BEEN AS CRITICAL IN 1976 AS IN SOME EARLIER YEARS. COTTON INDUSTRY IS GOOD EXAMPLE. ADDING LABOR PRODUCTIVITY GAINS OF ABOUT 18 PERCENT TO 12 PERCENT INCREASE IN PRICE OF FINAL PRODUCT ONE MANUFACTURER QUOTED US, INDUSTRY SHOULD HAVE BEEN ABLE EASILY TO SUSTAIN 30 PERCENT INCREASE IN LABOR COSTS. COTTON ASSOCIATION, IN FACT, ESTIMATED INDUSTRY'S LABOR COSTS TO HAVE CLIMBED 33 PERCENT.

4. HOWEVER, THERE WILL BE NO REPEAT OF LAST YEAR'S PRODUCTION SUCCESSES IN 1977, PREDICT INDUSTRY OFFICIALS. GOVERNMENT DEFLATIONARY MEASURES CUTTING INTO WORKER INCOMES ARE RAPIDLY WEAKENING CONSUMER DEMAND. STOCKS ARE RISING AND PRODUCTION OF COTTON AND MAN-MADE FIBER PRODUCTS IS DOWNSUCH FROM THIS TIME 1976. ONLY WOOL MANUFACTURERS ARE CONFIDENT ABOUT 1977 SALES. (WOOL INDUSTRY HERE IS PROBABLY LESS SENSITIVE TO CONSUMPTION TREND SINCE IT PRODUCES EXPENSIVE, QUALITY PRODUCT FOR BETTER THAN AVERAGE INCOME CUSTOMER.)

5. TEXTILE INDUSTRY IS GENERALLY GOOD INDICATOR OF CONSUMER SPENDING HABITS, AND TREND HERE SEEMS TO INDICATE THAT GOVERNMENT'S FISCAL MEASURES ARE BEGINNING TO BITE. MANY LOCAL INDUSTRIALISTS CONSIDER AUSTERITY TEMPORARY AND SEPARATE FROM ECONOMY'S SECULAR
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TRENDS.
THUS, DESPITE LOWER CONSUMPTION AND SALES IN SHORT TERM, NO ONE IN INDUSTRY WITH WHOM WE HAVE TALKED IS OVERLY PESSIMISTIC OVER LONGER TERM. AND GIVEN LOCAL PROPENSITY TO GLOOM, THAT AMOUNTS TO OPTIMISTIC OUTLOOK.FINA

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Automatic Decaptioning: X
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Channel Indicators: n/a
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Control Number: n/a
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Sent Date: 09-Aug-1977 12:00:00 am
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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